

CDBG POLICY BOARD RETREAT
June 24-25, 2002
Daniels Summit, UT
Minutes

Present:	Chesley Christensen, Chairman	Six County AOG
	Bryce Nielson, Vice-Chairman	BRAG
	Russell Beckley	HUD
	Steve Browne	MAG
	David Connors	WFRC
	Cheryl Elliott	CDBG
	Jeff Gilbert	BRAG
	Debbie Hatt	SEUALG
	Keith Heaton	CDBG
	Kelari Kellar	UBAOG
	Diane Lamoreaux	Five County AOG
	Michelle Lea	DCED
	Glenna Matekel	CDBG
	Jerry McNeely	SEUALG
	Lane Nielson	WFRC
	Emery Polelonema	Six County AOG
	Constance Robinson	Five County AOG
	Lorna Stradinger	UBAOG
	Judy Terry	DCED
	Richard Walker	CDBG
	Pauline Zvonkovic	HUD
Absent:	Jeanine Cook	MAG
Guests:	Jay Downs	Diatect
	Robyn Pearson	Wasatch County
	Commissioner Michael Kohler	Wasatch County

1. **WELCOME AND INTRODUCTIONS:** The meeting was held on Tuesday, June 25, 2002 at the Daniels Summit Lodge, Heber City Utah and began at 9:00 am. Chesley Christensen, Chairman, welcomed everyone. Introductions of the Board were then made.

APPROVAL OF MINTUES: Chesley Christensen asked for approval of the minutes from the March 27, 2002 meeting.

MOTION: Bryce Nielsen made a motion to approve the minutes from the March 27, 2002 CDBG Policy Committee meeting. Lorna Stradinger seconded the motion. All in Favor. Motion carried.

2. **HUD UPDATE:** Pauline Zvonkovic gave an update from the Salt Lake HUD Office. She handed out the booklet "Connecting with Communities: A User's Guide to HUD Programs and the 2002 Super NOFA Process."

She noted that the State of Utah received a "Continuum of Care" Grant for the first time last year. This is HUD's major homeless assistance program. It allows for a plan to be in place locally to deal with homeless issues. She explained that the state will submit an application again this year. For a project to receive a

“bump-up” of an additional \$500,000 – the priority for the plan needs to be: “create more affordable housing through a permanent housing project for homeless individuals.” It is important that everyone is represented from all the different areas so there is a vested interest to insure equal representation of all communities. Part of the strength of the application is participation from as many communities as possible. Last year this program brought in over \$1 million for the State and it could be that high again this year. Tooele and Morgan are the only two counties in Utah that the Continuum of Care plan does not cover. One aspect of the program is called HMIS [Homeless Management Information Services]. This is a computer database program to track clients using services.

Pauline introduced Russell Beckley, the new Director of the Salt Lake HUD Office. Russell informed everyone that President Bush has created, by Executive Order, a new White House Office of Faith-Based and Community Initiatives to lead and develop the Administration’s agenda to strengthen and expand grassroots and faith-based services. He noted that there has been a long, and successful tradition of the Federal Government working with nonprofit organizations to serve the needy. It is recognized that many nonprofits are in need of technical assistance in order to bring their programming to scale. To accomplish this goal, under the direction of Secretary Mel Martinez, the Utah State HUD Office is sponsoring a conference to provide education, training, and information to the public sector, private and business community, nonprofits and faith-based organizations on July 17 & 18, 2002 in Salt Lake City.

3. **CDBG TRAINING:** Keith Heaton led a discussion on the differences between interim loans and 108 loans. He referenced “The Guide To National Objectives and Eligible Activities – Appendix F,” which presents information on making the most of CDBG resources. Keith emphasized the importance of this issue with HUD. It is a continual effort by CDBG staff to determine ways to maximize funds in a timely fashion.

Approximately 95% of CDBG money goes to low & moderate income individuals. Another 5% goes to administration at various levels with a small percentage going to slum & blight projects.

Keith outlined the CDBG goals for spending these funds:

1. benefit to low & moderate income people
2. improve community
3. maximize the dollar (through loan program)
4. spend funds quickly

Ways to reach these goals are:

- Efficiency in the grants program
- Various loan programs
 - a. Float “interim” loans
 - b. Section 108 loans
 - c. Selling loan portfolio

Float Loans - Keith noted that the interim loan is a very effective tool to provide short-term low interest financing for projects that meet all the eligibility tests and also meet the national objective of providing employment opportunities for low and moderate income persons. HUD’s regulations, along with the Policy Committee’s approval, allow the state to double commit the money already awarded to annual grantees by committing it to another entity for an economic development loan under very strict requirements. The money must be repaid with interest within a reasonable period of time. The main criteria that determines whether or not the loan will be made is whether the recipient can obtain an unconditional irrevocable letter of credit from an approved bank. Interest charged on float loans returns to the State.

Section 108 loans – Section 108 loans are loans made by HUD through the State. They are contracted and paid directly to HUD. HUD has the authority to pledge future allocations of CDBG funds as a means of guaranteeing the loans. Even though the State Small Cities program had a bad experience with a Section 108 loan, it “can be” and “is” a very effective funding mechanism. Because there is a significant amount of work involved in securing a 108 loan, it should only be considered for large loans (at least in the amount of \$500,000). In the future, Section 108 loans guaranteed by the State will have much more stringent safeguards. There will be contractual relationships with the recipient of the loan funds to force state oversight and monitoring to prevent default on the loan. Interest charged on 108 loans returns to the investors.

4. LOAN PORTFOLIO UPDATE: - Keith Heaton reported that currently there are two active loans:

Wasatch County – Jay Downs of Diatect presented the Bear Creek Soup Kitchen Building background:

Original purchase agreement fell through;

Wasatch County purchased the building with the help of a CDBG interim loan;

Wasatch County solicited a buyer/business for the building – Diatect was selected;

Interim loan due to be paid back to the State July 19, 2002;

Cash flow problem created for Diatect because of a shipment being delayed due to purchaser inventory issues;

Diatect requested a short delay in the purchase of the building due to the shipment issue;

Diatect has \$400,000 in the bank as a guarantee of purchase from Wasatch County;

An extension of six months on the payback of the loan was requested by Wasatch County to allow Diatect the time to make their large shipment;

Mr. Downs noted that a second business that supports Diatect has moved to Wasatch County and that Diatect will be expanding.

Board members expressed concern that Wasatch County was not making the request personally. Mr Downs agreed to contact them and have a representative present in the afternoon session.

Robyn Pearson, Wasatch County Economic Development Director and Commissioner Kohler attended the afternoon session. Robyn said Wasatch County is requesting an extension of the letter of credit. Richard Walker reminded them that the letter of credit should extend one month beyond the extent of the loan deadline, which is July 19, 2002. Robyn said the request is for six months beyond July 19, 2002.

MOTION: Bryce Nielson made a motion to give Wasatch County an extension on their loan to Jan 1, 2003. This will be a one-time extension with no additional extension allowed. This extension will be conditional upon the letter of credit extension. Jerry McNeely seconded the motion. All in favor. The Motion Carried.

Discussion:

Richard Walker asked Wasatch County if interest were charged on this loan, would it be passed on to Diatect?

Wasatch County has no agreement with Diatect to charge interest and new papers would need to be drawn up.

Bryce Nielson stated that charging interest was not part of his motion and therefore the loan would continue with 0% interest.

Duchesne County – Uintah Basin Medical Center

Kelari Kellar reported that the project is 95% complete and that the doctors are currently in place. The first payment is scheduled for July 1, 2002. Even though this project was not funded based on job creation, it did create several jobs for low to moderate income persons.

Tooele County – Butler Builders

Keith Heaton noted that this project was approved in October, 2001, and has not resulted in a contract. Policy allows one year from time loan request/approval is given for the project to get underway. The company needs to obtain a letter of credit for their final approval. Lane Nielson said one of the problems in obtaining the letter of credit was the banks concern with the loan term of two years. Lane has not heard from Kevin Butler of Butler Builders since this discussion. Lane said the city is in favor of the business and hopes to obtain

business activity at the Airport Business Park. The City's concerns are with the infrastructure, not with the business. Tooele County was awarded a grant in the 2002-03 to address the infrastructure if this business or another locates there.

MOTION: Bryce Nielson made a motion to table this item till the August 2002 meeting for a final decision. Jerry McNeely seconded the motion. All in favor. The Motion carried.

5. **RATING AND RANKING – State Criteria:**

Regional Amounts - Keith Heaton prefaced the discussion by reminding board members that these contracts in the amount of \$6,000 were discussed at the 2001 policy retreat. At that time AOG staff were told that if they wanted to document actual costs of rating and ranking beyond the \$6,000 then consideration would be given to increase the contract amounts. Based on documentation and discussion with the regions, Keith prepared four proposals for consideration by the board:

Proposal Number 1: \$8,000 contracts for BRAOG, FCAOG (until St. George becomes an entitlement), MAG, and WFRC;

Proposal Number 2: Provide funds on a sliding scale from \$6,000-8,000 based on population. This would be \$6,000 for UBAOG, SEUALG, SCAOG; \$7,000 for BRAG, MAG, FCAOG; and \$8,000 for WFRC;

Proposal Number 3: Provide the base amount of \$6,000 and allow the AOG's to request an additional amount based on documentation each year;

Proposal Number 4: Some variation as suggested by the board or leave it as is.

MOTION: Lorna Stradinger made a motion to adopt proposal #3. Connie Robinson seconded the motion. Vote: One in favor – Four opposed – The Motion failed.

Discussion highlights:

- ☐ Some of the regions did documentation last year to show appropriate increase needed.
- ☐ Some regions will need more than others due to population, case loads and travel needs.
- ☐ Increasing the amount brought concern regarding affect on State administrative budget.
- ☐ Spending is documented as it occurs but is difficult to project ahead.

MOTION: Bryce Nielson made a motion to adopt proposal #2 with the condition that the board revisit this issue in one year to see how the increase has affected the State administrative funds. David Connors seconded the motion. Vote: Three in favor – Two opposed – The Motion carried.

Note: This will result in an annual statewide increase of \$5,000

Controlling public service requests-

Keith requested that when rating & ranking public service applications to remember that public services cannot exceed 15% of the total grant award and that the public service must be either a new service; or the sub-recipient must be able to demonstrate a quantifiable increase in the level of a service funded previously (this requirement is intended to prevent the substitution of CDBG funds for recent support of public services by the grantee using local or state government funds).

6. REPORT ON WESTERN REGIONAL MEETING:

Glenna Matekel reported the Utah CDBG staff attended the first annual Western Regional CDBG Conference in Las Vegas, Nevada on June 10-11, 2002. Arizona hosted the conference but it was held in Nevada for logistical/cost reasons. The only two states not represented were Colorado and South Dakota. She reported the Utah program appears to be one of the leaders in the Western States and was asked to lead several of the discussions. Timely expenditure of funds was a major topic of discussion. Utah is the “number one” State in the nation in its expenditure of funds. As was discussed earlier in the meeting the interim loans have had a major impact on timely expenditure; however, the milestones given to the grantees is also a good way of accomplishing the timely spending issue. The staff reviewed the project duration milestones currently in place and would like to recommend the milestones be adjusted as follows for the 2003-2004 Application Guide:

- ☐ *Environmental Review process completed 90 days from executed date of contract;*
- ☐ *Engineering Design and bid ready, specifications completed by January 31, 2004;*
- ☐ *Advertisement for bids published prior to February 28, 2004;*
- ☐ *Bid Award issued by April 15, 2004;*
- ☐ *Notice to proceed issued by May 31, 2004.*

MOTION: David Connors made a motion to accept proposed project duration guidelines. Bryce Nielson seconded the motion. Vote: All in Favor. The Motion carried.

Keith presented two new proposals to help Utah meet “Timeliness Goals”
(see attachment “F” Appendix “H” -- change is noted below)

Capacity of Grantee to Carry Out the Grant - This proposal recommends that in order to be eligible to receive new funding, a grantee/sub-grantee must have drawn down at least 50% of their prior year’s CDBG grant funds at the time of pre-application (generally December 1).

Discussion highlights:

- ☐ New wording gives more incentive and insures the project would be more driven
- ☐ Some groups start their contract before the project is ready. This will allow other projects to come in on the off year.
- ☐ Construction typically begins the start of the second year so funds would not be 50% drawn down in first year.
- ☐ This creates a slowdown safeguard

MOTION: Bryce Nielson made a motion to accept the CDBG Staff recommendation as modified. Lorna Stradinger seconded the motion. Vote: All in favor – The Motion Carries

2. **Rating and Ranking** – This proposal recommends that non-construction projects will not be eligible to receive multi-year funding.

Discussion highlights:

- ☐ Multi-year for construction projects allows large amount of money to sit in a project until end of multi-year project before being spent.
- ☐ Simplify rating & ranking process so paperwork is not a problem.
- ☐ Administrations problem is tracking additional request for funds.
- ☐ The majority of the requests would come from the AOG’s.

- ❑ One concern for AOG's is additional paper work to apply each year with pre-application, application, etc.

MOTION: Lorna Stradinger made a motion that the proposal be rejected and leave multi-year as it is. Jerry McNeely seconded the motion. Vote: Five in favor – One against – The Motion Carries.

7. **FISHERIES AND ECOLOGY OF STRAWBERRY RESERVOIR:** Since this topic was informational to the location of the retreat, it was not addressed, due to time limitations.
8. **CD WEEK REPORT:** Glenna Matekel informed the policy committee members that Five County hosted a very successful event in Cedar City. The two projects highlighted were Iron County Ambulance, and Color County Community Housing. Glenna said the intent was to help people become aware of CDBG and what it can do for their community. By showcasing successful projects, people will hopefully realize where the funds come from and possibly encourage others to participate.

CD Week is generally held the third week of April each year. Debbie Hatt, from the SEUALG, agreed to host the event next year and said she might highlight the Cleveland project.

9. **LEAD BASED PAINT:** Cheryl Elliott reported that HUD Lead Based Paint regulations went into effect January 11, 2002. This means all contracts executed after this date must abide by the Lead Safe Housing rule. It includes activities involving pre-1978 housing funded with HUD dollars that involve children under the age of six and pregnant women. Non-housing structures are not covered. It does affect housing rehab and first time homebuyer programs.

Because there have been no applications for use of the \$300,000 which was set-aside to address the implementation of Lead Based Paint staff thought the issue should be discussed again.

HUD is currently the only agency that has rules regarding LBP. EPA is working on refining their rules. EPA currently says if you have someone in a pre-1978 home, 1.) seller must disclose what they do or don't know about presence of lead in the home 2.) buyer must be given a pamphlet informing them that the house was built before 1978 and may contain LBP. EPA rules apply to everyone not just HUD funded homes. Cheryl said the level of funding determines what must be done. The limits are broken down to less than \$5,000 / \$5,000-\$25,000 / Over \$25,000

Possible Approach:

1. Train Contractors and local officials in Lead Safe Work Practices;
 - a. Concerned about liability
 - b. Curriculum information available off web site
2. Hire State Consultant;
 - a. MAG has requested funding for Jim Kenyon, a testing consultant, for \$42,500 to purchase a XRF LBP testing machine. He is bonded and carries his own insurance. He is willing to travel around the state to do risk assessments.

Discussion highlights:

- ❑ Focus first on determining if lead base paint exists;
- ❑ Davis County did assessment on two buildings and found no LBP;
- ❑ Currently there is \$350 avail for each assessment from HUD;
- ❑ The \$300,000 set-aside is available to spend on training contractors, pay building inspectors for services, or perhaps hire a consultant;
- ❑ OSHA is telling contractors that they must protect their workers from LBP;
- ❑ Attorney General's opinion on liability;

- ❑ There are 30/40 certified firms listed on the Dept of Environmental Quality web page qualified to assist with LBP projects;
- ❑ Should the \$300,000 be put back into allocation for other projects, or to hold onto it until it is determined how best to use funds for LBP.

MOTION: Bryce Nielson made a motion to leave \$300,000 set-aside for at least one more year and accept applications from the AOG's to use this money at their own discretion. Lorna Stradinger seconded the motion. Vote: All in favor. The Motion carries.

10. FIRST TIME HOMEBUYERS – set aside: Richard Walker noted that currently each region has a pot of money they can use for down payment assistance through the Olene Walker Housing Trust fund. Richard stated that he thinks there is an unmet need because of how quickly these funds are expended. He proposed a set-aside of funds from CDBG to be used for down payment assistance to augment the OWHTF funds. This will also create an incentive for those regions that are not currently doing this program, to help them implement it.

Discussion highlights:

- ❑ The AOG would get a contract for the \$30,000/\$40,000 to do down payment assistance. These funds would come off the top of the State's allocation;
- ❑ Better serve individual regions not meeting need currently (WFRC/Mountain Land);
- ❑ OWHTF will not be affected by outcome of this decision;
- ❑ HUD's major thrust is homeownership- anything that can be done to demonstrate fulfilling that goal will set well with HUD review;
- ❑ Will augment what is already being done with out need to go through rating & ranking process on local level;
- ❑ Latitude to make these decisions should be left at local level;
- ❑ Lead Based Paint triggers analysis of funding;
- ❑ Down Payment assistance helps individuals one-on-one. Individuals are not always able to prepare a sophisticated request and be competitive with requests on local level;
- ❑ A better job needs to be done to market this assistance program and make it more available to individuals;
- ❑ This is not un-presented. This committee has set-aside funds on several occasions particularly as it relates to housing in deference to the fact that housing is not a high local priority, even though the need is there;
- ❑ Clarification: Set aside is taken after state admin is subtracted – appropriation is then reduced by specified amount off top (i.e.: \$30,000) – balance is then distributed to each region

MOTION: Bryce Nielson made a motion to table this issue until after lunch. Loran Stradinger seconded the motion. Vote: All in favor. The Motion carried

Do we want to have this kind of program where we are able to use money for projects that may or may/not be priority but may be distinct need for in certain parts of state where service is not available or is underserved. Probably need some information of what is the unmet need.

MOTION: Jerry McNeely made a motion to deny staff request to set aside funds for down payment assistance and continue with the current program. Connie Robinson seconded the motion. – Vote: All in favor

11. **QUALITY GROWTH INITIATIVE:** Richard Walker informed the policy committee that the Quality Growth Commission (which Richard is a member of) will be making presentations to a variety of entities throughout the state requesting funding agencies to incorporate guiding principals of quality growth into their decision making process. He introduced John Bennett and Gary Urest from the Quality Growth Commission who made the following presented the following information:

John: In 1999 the Quality Growth Act was passed by the State Legislature, which created the Utah Quality Growth Commission (UQGC) and gave them various responsibilities that included administering the LeRay McCallister critical land fund; planning grant money; and defining of quality growth areas. They were instructed to determine what types of incentives might be available within existing state funds to help communities that would make the effort to be a Quality Growth Community. If counties or city's apply certain principles and make an effort to plan a project that is well designed for the future of the community, some incentive would be available to honor those projects. The UQGC was charged with identifying what pots of money are available and what it is used for and how the UQGC might work with what is already being done. John said they are asking for assistance to offer some benefits for participating with the UQGC.

Gary said this program is patterned after the Smart Growth concept in Maryland. State monies were being poured into communities with "dumb growth". The Governor set up smart growth where monies would be prioritized to those areas that were following some principles of smart growth. Utah is not in same situation as Maryland. There is no need to create more bureaucracy or programs for local government to jump through. The focus should be on existing state funding and setting up a framework where communities would be rewarded for doing good planning. He said they are asking for feedback from various groups.

A community that is struggling in rural Utah has different needs than one that is being overrun with growth in urban Utah. The two programs might need to be different but compliment each other. The UQGC would like to establish criteria to designate communities that have accomplished milestones as quality growth communities. In the rural parts of state it is being suggested that the 21st Century program, as currently constituted, would give the UQGC designation. The UQGC designation will be more of an urban designation.

Discussion:

- ☐ Add into rating & ranking process some recognition of a community that has accomplished this or has accomplished the 21st century community program;
- ☐ Discriminates against small towns since there is not the staff or time to do all the studies. This cuts small towns out of many programs;
- ☐ Entertain any assistance on how to encourage communities to participate in the quality growth that are able to do so without creating a disadvantage to those that cannot;
- ☐ Address growth related issues wherever they occur – encourage communities to plan.
- ☐ Option: Enlist interested individual in community to assist staff by organizing this program.
- ☐ There are currently four AOG's that currently have the 21st century milestones in their rating & ranking.

Richard asked policy committee members about their desire to put the UQGC principles in as state rating & ranking criteria to go along with some regions are already doing this with HB 295.

MOTION: Connie Robinson made a motion to table the decision until August 2002 meeting and have staff prepare some proposals for discussion for possible adoption in 2004-2005 application process. Bryce. Nielson seconded the motion. Vote: All in favor. The Motion carried.

12. APPLICATION PROCESS: Keith Heaton outlined some of the problems with the application process:

- ❑ Pre-applications and final applications are not complete when submitted;
- ❑ Applications are not being submitted on time;
- ❑ Rating & Ranking committee need to insure applications and pre-applications are complete, that they meet all necessary qualification criteria, and that all attachments are included (i.e.: proof of publication);
- ❑ There has been a significant disregard for the deadlines;
- ❑ In the future, deadlines will be adhered to and late applications could be denied;
- ❑ If AOG does not re-allocate those funds to another project within a month or two, the State may re-allocate the funds to another AOG;
- ❑ Applicants must attend the “How To Apply Workshop” and do so in their own region as information and deadlines may vary according to local AOG. The CDBG Staff will make this change in the application guide for the Policy Committee to approve at next meeting;
- ❑ The AOG’s will take a greater role in presenting “How To Apply Workshops” since these are regional trainings. The CDBG staff will be in attendance to offer technical support.

13. MEETING ASSESSMENT & NEXT MEETING PLAN:

The 2003 Retreat will be hosted by Five County AOG – in early June, 2003.
Everyone agreed that the Monday/Tuesday meeting format worked well.

14. ADJOURN:

Next meeting: Monday, August 19, 2002
324 So. State, Suite 500, Salt Lake City
1:30 p.m. - 4:30 p.m.

Meeting adjourned at 3:50 p.m.